

Message Text

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ACTION EB-08

INFO OCT-01 NEA-11 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 DOE-15 H-02 INR-10 INT-05 L-03
NSAE-00 NSC-05 OMB-01 PM-05 ICA-20 OES-07 SP-02
SS-15 STR-07 TRSE-00 ACDA-12 PA-02 /139 W
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FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 2277
INFO AMCONSUL DHAHRAN
USLO RIYADH BY POUCH

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E.O. 11652: N/A
TAGS: ENRG, SA
SUBJ: SAUDIS RAISE FUEL PRICES

1. JUST PRIOR TO THE NEW YEAR'S BUDGET SCHEDULED TO BE ANNOUNCED THIS WEEK, THE SAG HAS ANNOUNCED AN APPROXIMATE 50 PERCENT INCREASE IN DOMESTIC FUEL PRICES. THE BASIC PRICE OF FUELS AT TOWNS WITH BULK STORGAE PLANTS WILL NOW BE 17.5 CENTS PER GALLON OF REGULAR GASOLINE, 23.5 CENTS FOR HIGH TEST GASOLINE 7.7 CENTS PER GALLON OF LIGHT DIESEL OIL, AND 15.2 CENTS PER GALLON OF KEROSENE, TRANSPORTATION COSTS WILL BE ADDED FOR SALES IN OTHKER AREAS. NO PRICE WAS GIVEN FOR FUEL OIL, WHICH PRESUMABLY REMAINS UNCHANGED.

2. COMMENT: THESE PRICES ARE SCARCELY UP TO WORLD LEVEL, AND PROBABLY DO NOT MORE THAN COVER REFINING AND DISTRIBUTION COSTS. GIVEN THE NECESSITY TO IMPORT INCREASING AMOUNTS OF GASOLINE AND DIESEL FUEL TO MEET RAPIDLY GROWING CONSUMPTION (28PERCENT PER YEAR), THE GOVERNMENT WILL PROBABLY STILL BE SUBSIDIZING DOMESTIC FUEL CONSUMPTION. THE NEW PRICES WILL NONETHELESS BE FELT IN THIS CAR-HAPPY COUNTRY, PARTICULARLY AMONG THE
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RURAL POPULATION WHERE THE JAPANESE PICKUP TRUCK HAS CREATED WHOLE NEW LIFE PATTERNS AMONG PEOPLE WHO HAVE GAINED LESS THAN THE URBAN POPULATION FROM THE LAST FEW YEARS' BOOM. THE NEW PRICES MAY HELP REDUCE THE GROWTH RATE IN PETROLEUM PRODUCTS CONSUMPTION marginally, BUT PROBABLY WILL HAVE NO SUBSTANTIAL

ECONOMIC EFFECT IN THE NEAR TERM, DUE TO THE
RELATIVE UNIMPORTANCE OF FUEL PRICES TO LOCAL
PROJECT AND /OR OPERATING COST.
WEST

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NNN

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*** Current Classification *** UNCLASSIFIED

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